

Draft Pending Adoption

Attachment XX
Property and Casualty Insurance (C) Committee
3/25/26

Draft: 3/31/26

Cannabis Insurance (C) Working Group
San Diego, CA
March 25, 2026

The Cannabis Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met in San Diego, CA, March 25, 2026. The following Working Group members participated: Katey Piciucco, Chair (CA); TK Keen, Vice Chair (OR); Erick Wright (AL); Hank House (AR); Angela King (DC); Jennifer Welch (DE); C.J. Metcalf (IL); Ryan Blakeney (MS); Tedd Bidon (MT); Ursula Almada (NM); Gennady Stolyarov (NV); Brian Downs (OK); Sebastian Conforto and Kathryn McDermott Speaks (PA); Isabelle Turpin (VT). Also participating were: Michelle B. Santos (GU) and Tregenza A. Roach (VI).

1. Adopted its Oct. 20, 2025, Minutes

Keen made a motion, seconded by House, to adopt the Working Group's Oct. 20 minutes (*see NAIC Proceedings – Fall 2025, Property and Casualty Insurance (C) Committee, Attachment Three*). The motion passed unanimously.

2. Heard a Presentation on Recent Federal Actions Regarding Cannabis and Hemp

Joanne Caceres (Denton Law Firm) stated that cannabis remains a Schedule I substance under the federal Controlled Substances Act (CSA), despite widespread state legalization. She noted that cannabis contains multiple cannabinoids, including tetrahydrocannabinol (THC) and cannabidiol (CBD), and is sold in a wide range of consumer products, such as flower, concentrates, edibles, beverages, and topicals.

Caceres stated most states permit some form of cannabis use—either adult-use, medical, or low-THC programs—resulting in cannabis being legal and illegal simultaneously, depending on jurisdiction. She noted that more than three-quarters of the U.S. population lives in a state with some form of legal cannabis access and that public support remains strongest for medical cannabis. Hemp is a legal subcategory of cannabis, defined federally by a delta-9 THC concentration of no more than 0.3% on a dry-weight basis. Statutory language adopted through federal agriculture legislation enabled the emergence of intoxicating hemp-derived products, such as THC-infused beverages and gummies, which are sold nationwide. States have responded inconsistently, with some permitting these products, subject to regulation, while others impose strict potency limits, and some prohibit them entirely.

Recent federal law now limits THC in hemp-derived consumer products to 0.4 milligrams per container, effective Nov. 12, 2026, under the FY2026 Agriculture Appropriations Act (P.L. 119-37, Section 781). This change closes the "intoxicating hemp loophole" by reclassifying products exceeding this limit as marijuana, greatly impacting full-spectrum hemp products and much of the current market. However, the hemp industry is pursuing legislative or regulatory adjustments, so future outcomes are uncertain.

In May 2024, the Department of Justice proposed rescheduling marijuana from Schedule 1 to Schedule III. On Dec. 18, 2025, President Trump signed an executive order titled "Increasing Medical Marijuana and Cannabidiol Research," instructing the Attorney General to accelerate reclassification under the CSA. While rescheduling would not legalize state cannabis programs, it would remove Internal Revenue Code Section 280E tax restrictions, allowing cannabis businesses to take ordinary business deductions. The executive order also directed the

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administration to work with Congress to update the statutory definition of hemp and announced a potential federal pilot program to reimburse certain hemp-derived cannabinoid products for research purposes.

Caceres stated that providing insurance to state-legal cannabis businesses is permissible under state law but requires enhanced diligence due to ongoing federal illegality and varying state requirements. She identified limited historical loss data as a key underwriting challenge and suggested insurers look to analogous industries—such as indoor agriculture, chemical manufacturing, alcohol, and consumer packaged goods—for pricing insights. She also highlighted emerging risks, including climate impacts, plant pathogens, employee health issues, product liability concerns, workforce protections, and increased use of alternative risk mechanisms such as captives and self-insurance. She emphasized the need for insurers and regulators to closely monitor the evolving legal, political, and cultural environment surrounding cannabis and hemp.

3. Heard a Presentation from Golden Bear Insurance on its Journey, Keys to Success, and Insights on Recent Federal Actions

Michael Brown (Golden Bear Insurance) said the company began offering cannabis insurance on Jan. 1, 2018, after California legalized adult-use cannabis. Initially, Golden Bear had no plans to enter the market, but state regulations required insurers to cover licensed cannabis businesses. With encouragement from state officials and a focus on state-compliant operators, Golden Bear became the first admitted cannabis insurance program in the U.S. He credited the California Department of Insurance for its cooperation and expedited review of early filings, which allowed Golden Bear to launch coverage on a compressed timeline.

Golden Bear initially confined its operations to California due to early concerns regarding interstate commerce and federal intervention. Over time, the company recognized that premiums, reinsurance, brokerage services, and premium financing often involved out-of-state entities, underscoring the interconnected nature of the insurance market. He noted that the early cannabis insurance market required flexibility and adaptation due to limited data and rapidly evolving risks.

Brown explained that Golden Bear's initial rate filings relied on analogies to comparable industries, including alcohol, tobacco, and confectionery manufacturing, given the intoxicating nature of cannabis products and their various delivery methods. As the program matured, Golden Bear expanded into Arizona as that state legalized adult-use cannabis and currently writes nonadmitted business in other legalized states.

Discussing claims experience, Brown stated that early assumptions about premises liability risk proved overstated. Over eight years, Golden Bear experienced only two notable premises liability claims, neither of which was directly related to cannabis products. He stated that theft losses were more significant in the early years, prompting the company to revise security requirements and endorsements as it gained a better understanding of criminal methods targeting cannabis operations.

Golden Bear's approach to product liability coverage evolved over time. Initially offered as optional coverage due to limited scientific research and the financial constraints of startup operators, product liability coverage later became standard as the industry matured and became more vertically integrated. He reported that Golden Bear has not experienced any paid product liability losses to date, though the company continues to view this line as a heightened concern due to the lack of long-term health studies.

Brown stated federal rescheduling of cannabis to Schedule III would have significant implications for insureds by

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allowing ordinary business deductions under federal tax law, potentially improving financial stability and increasing demand for insurance coverage. He also noted that rescheduling could facilitate medical research by enabling hospitals, universities, and pharmaceutical companies to conduct more comprehensive studies on cannabis-related health impacts.

Golden Bear's underwriting practices and policy exclusions have also been refined as the market has evolved. Golden Bear adjusted requirements related to fire risks, indoor grow operations, special events, onsite consumption, assault and battery coverage, and vape-related exposures as real-world loss data became available. Brown stated that many early concerns proved less severe than anticipated and that the cannabis industry has matured significantly, with fewer undercapitalized operators and greater reliance on well-organized, vertically integrated businesses. Canadian publicly listed cannabis firms have greatly shaped how U.S. cannabis operators are organized by providing capital, facilitating public listings, and encouraging a move toward more corporate, vertically integrated setups. Since cannabis is still federally illegal in the U.S., businesses have turned to Canadian exchanges like the CSE and TSX to raise capital, leading to complex cross-border company structures and specialized merger-and-acquisition groups. Brown stated that insurers must continue to adapt as the legal, scientific, and market landscape for cannabis continues to develop.

Stolyarov asked which peril has resulted in the most claims payments for Golden Bear's cannabis insureds. Brown responded that theft of property has been the most significant source of claims for cannabis clients. Stolyarov also asked why it has taken so long for the federal government to move cannabis from Schedule I to Schedule III, given broad public support, widespread state legalization, and the perception that rescheduling represents a moderate policy approach. Caceres explained that cannabis was placed in Schedule I by legislation rather than science and that its classification has been politically contested for decades. She noted that advocacy organizations and state officials have repeatedly urged reconsideration, including by submitting requests to federal agencies in the early 2010s. Prior federal reviews relied heavily on selective or limited studies and discounted international and non-federal research, reflecting political resistance rather than scientific consensus. Cannabis remains stigmatized in some policy circles, and that organized opposition continues to challenge state cannabis programs through litigation, ballot initiatives, and legislative efforts in several states. Although President Trump has directed federal agencies to pursue rescheduling, cannabis has not yet been formally rescheduled, and opposition groups continue to resist the change. While additional announcements are anticipated, the outcome and timing remain uncertain.

Tregenza asked how Golden Bear managed banking and premium transfers for cannabis insurance operations in Arizona and California without violating federal law. Brown explained that Golden Bear is domiciled in California, privately held, and conducts its banking through a local community bank that has not raised concerns about accepting premiums from state-legal cannabis operations. He noted that Golden Bear's status as a privately held insurer has allowed it to participate in a market that larger publicly traded insurers may avoid due to reporting and regulatory sensitivities.

Tregenza also asked about the movement of funds across state lines, particularly when brokers are located outside California. Brown stated that interstate transactions can occur when brokers or service providers are based in other states, such as cannabis specialty brokers operating from offices outside California. He stated that while this initially raised concerns about interstate commerce, Golden Bear relies on the McCarran-Ferguson Act, which affirms state authority to regulate insurance, and on approval from the California Department of Insurance to support its activities. He added that, to date, there has been limited federal interest in insurance and other ancillary services supporting state-legal cannabis programs.

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Caceres added that federal appropriations provisions restrict the use of federal funds to interfere with state medical cannabis programs and that courts—particularly in California—have interpreted these provisions broadly. She stated this limitation has been applied to entities that support state cannabis programs, including ancillary services, on the grounds that enforcement actions against those entities would interfere with state-authorized programs. Although these protections are formally tied to medical cannabis, Caceres noted that in practice they have extended to adult-use programs, as most adult-use states also maintain medical cannabis systems and the two are closely interconnected.

Having no other business, the Cannabis Insurance (C) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/C CMTE/2026_Spring/Cannabis/03-CannabisWG.docx

Cannabis on the Precipice

How Insurers Should Prepare

NAIC Cannabis Insurance
(C) Working Group

October 14, 2026 | WebEx

Ian Stewart

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Wilson Elser Moskowitz Edelman & Dicker LLP



Brad Rutt

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Agenda

Ian Stewart: what's happening on paper | Brad Rutt: what's happening on the street

Why the Precipice, and Why Now

Federal Scheduling & Rescheduling

The Federal Hemp Ban

Emerging Claims & Litigation

Regulator Checklist

Questions & Discussion

00

Why the Precipice, and Why Now

Three Converging Pressure Points

RESCHEDULING

Medical marijuana in Schedule III since Apr. 28, 2026; adult-use proceeding stayed Sept. 29, 2026.

HEMP BAN

Synthetics lose hemp status Nov. 12, 2026; naturally derived hemp THC Dec. 11, 2026.

LITIGATION

Big Tobacco-style class actions; coverage litigation

STREET CHECK

Market flat — no new entrants since the order.

STREET CHECK

Silent non-renewals via Violation-of-Law tightening.

STREET CHECK

Top reinsurer adding psychosis-claim limitations.

BOTTOM LINE *Barriers to entry lowered on paper. On the street, the complexity — and the exclusions — grew.*

Market Snapshot: 2023 Benchmark vs. 2026 Street

~10x → ~5x

Premium multiple vs. mercantile risk

\$1M/\$2M → \$5M/\$5M PL

Common above \$50M revenue

30+ insurers & MGUs

Still mostly surplus lines

Line	2026 Rate Movement (HUB)	Note
Property	–20%+ vs. 2025	Another ~–5% expected 2026–2027
GL / PL	Flat to –5%	Rate held flat; terms improved
Private D&O	–20% to –25%	Stable through 2027
Cyber	–15% good risks	Flat for weak controls
Auto	+20%	The outlier — loss-driven
EPL	Flat	No movement

BOTTOM LINE Retentions up, coverage narrowed — not rate.

01

Federal Scheduling & Rescheduling Uncertainty

Two federal tracks on paper — and a market that has not moved

Track One: Medical Marijuana Is Now Schedule III

MOVED TO SCHEDULE III — eff. Apr. 28, 2026

- FDA-approved marijuana drug products
- Marijuana under a state medical license
- DEA registration now required
- 60-day window to keep operating

STILL SCHEDULE I

- State-licensed adult-use cannabis
- Unlicensed / bulk marijuana
- Synthetically derived THC

BOTTOM LINE *DEA registration and state license are now linked — suspension of one suspends the other.*

D.C. Circuit declined to suspend the medical order (Sept. 9, 2026).

Track Two: Adult-Use Proceeding — Stalled

Dec 18, 2025	EO 14370 directs expedited rescheduling
Apr 23, 2026	Medical order signed; new hearing noticed
Jun 29–Jul 15	11-day DEA hearing (Chief ALJ Derek C. Julius)
Aug 17, 2026	Post-hearing briefs — DEA argues for Schedule III
Sept 23, 2026	GAO report published
Sept 29, 2026	Proceeding STAYED
Oct 13, 2026	Government response due (≤ 20 pages)
No deadline	ALJ recommended decision → DEA final rule → litigation

BOTTOM LINE *The recent stay could push completion into Q3 2027.*

Schedule III Is Not Legalization

PRESCRIPTION MODEL

FDA and DEA rules matter more, not less. State programs were never designed around it.

CSA + FDCA STILL APPLY

Criminal prohibitions unchanged. Adult-use remains Schedule I.

280E GUIDANCE

Treasury/IRS forthcoming: apportionment for mixed marijuana/hemp businesses; expect a transition rule.

BANKING — FinCEN PENDING

Money-laundering statutes unchanged. No Schedule III guidance yet; adult-use still a banking desert in many areas.

BOTTOM LINE *Relief is partial and medical-only. The promised BSA/AML relief for insurers has not arrived.*

What Two Tracks Mean for Underwriting

ON PAPER — expected transitional risk

- New SKUs, larger facilities, complex logistics
- Risk of gray-market surge (2018 Farm Bill analogy)
- DEA registration as an underwriting factor
- MSOs may split medical and adult-use entities
- Assumptions of medical and adult-use cannabis in single schedule may be incorrect

ON THE STREET — what HUB sees

- Underwriters are not re-pricing for Schedule III
- No new appetite tied to the April order
- Scrutiny has shifted to psychosis disclosure
- Warning labels now drive form and pricing tiers
- Violation-of-Law wordings are being modified

BOTTOM LINE *Insurable exposures may increase on paper — but underwriters are pricing litigation, not scheduling.*

Appetite, Capacity & Reinsurance

ON PAPER — what Schedule III was expected to do

- Incremental capacity from specialty surplus markets
- New entrants phasing in, leaning on reinsurance
- Better property/BI terms for medical-only risks
- D&O towers loosening
- Reinsurance treaty Schedule I barriers easing
- “A signal, not a switch”

ON THE STREET — what HUB actually sees

New entrants

None since the order

Medical-only property / BI

Unchanged

D&O

No real movement tied to Schedule III

Pullbacks

None

BOTTOM LINE *The market is flat on Schedule III, full stop — including D&O.*

Regulator Takeaway: Admitted Capacity

ON PAPER — placement aspirations

- CLAIM Act reintroduced Sept. 16, 2026 (Velázquez & Davidson)
- Backed by APCIA, CIAB, IIABA, NAMIC, WSIA
- NAIC has supported a federal safe harbor for insurers
- Golden Bear: expedited rate/form review enabled the first admitted program

ON THE STREET — placement reality

- Still effectively an E&S market
- No admitted entrants following the April order
- Two-tier risk: medical may gain access, adult-use stays constrained
- E&S concentration keeps regulators blind to true market size

BOTTOM LINE *A federal safe harbor — not a scheduling change — is what would actually move admitted capacity.*

AUDIENCE POLL 1

When do you expect adult-use marijuana to be in Schedule III?

1. By mid-2027
2. Second half of 2027
3. 2028 or later
4. Not under current law

Launch via WebEx polling

Rescheduling Scenarios

Scenario	Legal Status	Market Effect
Status quo into late 2027	Medical Sched. III; adult-use Sched. I; stay pending	Two-tier market. Medical gains banking and capital; adult-use stays constrained.
Broader Schedule III finalized	All marijuana Sched. III, subject to litigation	“Transformative,” yet a measured increase in entrants — not a flood of cheap capacity.
Aggressive FDA/DEA enforcement	Sched. III with active prescription-model oversight	Compliance is a moving target with lots of uncertainty. D&O and regulatory-investigation exposure grows. Litigation risks.

Qualitative and illustrative; no probabilities assigned.

Live Update — October 14, 2026

LIVE UPDATE — INSERT MORNING OF OCTOBER 14

[INSERT: Government's October 13, 2026 response to the joint motion to admit the GAO report and stay — and any ALJ order issued Oct. 13–14]

- Did the government oppose admission of the GAO report?
- Did ALJ Julius lift or extend the stay?
- Any revised timetable for the recommended decision?
- Any new litigation over the April medical order?
- Street reaction (Rutt): any carrier or underwriter response?
- Implication for insurers — one line.

02

The Federal Hemp Ban

A hard statutory deadline on paper — and silent non-renewals on the street

What Section 781 Does

TOTAL THC STANDARD

0.3% total THC dry weight — now includes all forms of THC including THCA and delta-8.

0.4 MG CAP

Total THC per container for finished products. “Container” is not yet defined.

SYNTHETICS EXCLUDED

Cannabinoids synthesized outside the plant (includes converted delta-8, HHC)

~95%

of hemp-derived cannabinoid products become unlawful

U.S. Hemp Roundtable est.

90%+

of full-spectrum CBD may fall outside the definition

Industry estimate

68%

of hemp businesses could close if Dec. 11 takes effect

Whitney Economics

Non-compliant products are classified as marijuana under the CSA.

The Timeline: Two Effective Dates

Nov 12, 2025

Enacted

Aug 8, 2026

Senate passes H.R. 6500 (90–6)

Sept 1, 2026

House passes (370–48)

Sept 2–3, 2026

Signed

NOV 12, 2026

Synthetics lose hemp status

DEC 11, 2026

Naturally derived hemp THC ban

Competing Proposals

- Hemp Planting Predictability Act (H.R. 7024 / S. 3686) — delay to 2028
- Beverage Regulatory Parity Act
- White House signals support for preserving full-spectrum CBD

BOTTOM LINE *The delay is temporary — not a safe harbor. Waiting is the worst available risk-management strategy.*

Litigation: Regulatory Whiplash Preview

Texas — the case study

- DSHS v. Sky Marketing (May 1, 2026): state may classify manufactured delta-8 as Schedule I
- Delta-8, delta-10, THCP and THCA flower banned effective July 31, 2026
- Federal court (Aug. 2026) declined to block the Texas ban — challengers unlikely to succeed
- Missouri challenges remain pending

BOTTOM LINE *Products that were legal yesterday are controlled substances today — and the courts are not stopping it.*

Constitutional challenges to the federal ban are expected to fail given Commerce Clause authority and clear congressional intent.

Hemp Market Spillover onto Regulated Marijuana

ON PAPER — the displaced hemp market

\$28.4B

Intoxicating hemp (2025)

~300,000

Jobs at risk

- Demand migrates to licensed retail — premium base grows
- Overlap exposure for wholesalers straddling hemp and marijuana
- Hemp operators enter with no licensing history

ON THE STREET — what HUB sees

Non-renewals

None observed

Violation-of-Federal-Law language

Tightening — a “silent non-renewal”

Underwriters

Asking “what happens next”; probing contingency plans

Cancellations

Limited, but occurring

Inventory disputes

None this round

BOTTOM LINE *Carriers keep the policy, strip the coverage — same practical outcome as a non-renewal.*

Hemp Coverage Questions

COVERAGE QUESTION	WHAT'S HAPPENING ON THE STREET
Are illegal-acts and controlled-substance exclusions now triggered?	Violation-of-Federal-Law language is tightening
Coverage if the insured keeps selling after Dec. 11?	Underwriters probing contingency plans
Inventory legal yesterday, controlled substance today — valuation?	No inventory disputes this round
Cargo: leaves as legal hemp, arrives as federally illegal marijuana	Cancellations limited, but occurring
280E now applies to hemp companies selling reclassified product	Not yet a placement driver

Collateral issues: landlord disputes, supply contracts, e-commerce delistings, inventory-loan defaults, investor claims.

How Carriers & MGUs Are Responding

ON PAPER — hemp form changes

- “Hemp”/“Cannabis” definitions → total THC + 0.4 mg cap
- Violation-of-Law triggers clarified
- Explicit synthetic-cannabinoid exclusions

ON THE STREET — what HUB sees

Reinsurer pullback

New psychosis-claim limitations from a top cannabis reinsurer

Larger operators

More scrutiny on psychosis handling and disclosure

“Any disease of the human body”

Exclusion sharpened, not new

BOTTOM LINE *An implicit exclusion is going explicit — certainty for the carrier, less clarity for the insured.*

Regulator takeaway: watch for illusory coverage.

AUDIENCE POLL 2

Has your department received or reviewed form filings addressing the new total-THC hemp definition?

1. Yes
2. In progress
3. No
4. Not applicable

Launch via WebEx polling

03

Emerging Claims & Litigation

The science and the complaints on paper — the exclusions on the street

The “Big Tobacco” Playbook

Murray v. Cresco Labs

N.D. Ill., No. 3:26-cv-50184 — filed May 4, 2026

- 320 pages · 40+ named plaintiffs · 12 states
- Defendants: Cresco, Green Thumb, Verano
- RICO (treble damages), consumer fraud, warranty, negligent misrepresentation
- Adult-use only — medical carved out

Related Filings

- Blacketter (Ill. state)
- Duke v. Curaleaf (D. Conn.)
- Bisignano v. Verano (N.J.)
- Doe v. Stiizy (Cal. Super. Ct., L.A.)

Medical Marijuana Inc. v. Horn (U.S. 2025) permits civil RICO personal-injury theories. An earlier, similar Verano suit was dismissed in March 2026.

BOTTOM LINE *Underwriting has always looked primarily at contamination and labeling. These are claims about inherently dangerous design allegations and marketing conduct.*

Cannabis-Induced Psychosis

THEORIES PLEADED

- Failure to warn of psychosis / schizophrenia
- Marketing as treatment for stress and anxiety
- Youth-appealing branding
- Design defect for very high-THC products

SCIENCE PLAINTIFFS CITE

- APA, NAS, Health Canada: causal risk factor
- 2026 JAMA Intern. Med.: no supported mental-health uses
- 2025 study: +12% psychotic-disorder admissions
- Danish study: CUD-linked schizophrenia up 300–400%

ON THE STREET

A top cannabis reinsurer is adding psychosis-claim limitations. Larger operators are seeing materially more scrutiny on psychosis handling and disclosure — this is the one place the market is moving fast.

Most states require no psychosis warning. Three states require the warning. Failed 2022 legislation in CA (SB 1097) is being cited as evidence of industry knowledge.

Cardiovascular Harm

25%

Higher odds of
heart attack

Daily users (NIH 2024)

42%

Higher odds
of stroke

Daily users (NIH 2024)

~2X

Cardiovascular
death risk

2025 meta-analysis

34%

Higher heart-
failure risk

AHA presentation

Murray and Blacketter expressly plead cardiovascular failure-to-warn. The data are observational — association does not establish causation.

ON THE STREET

PL forms vary widely — strict health-hazard exclusions, none at all, or “acute covered but continuous/progressive-injury excluded.” The “any disease of the human body” exclusion is being sharpened. Cardiovascular claims rarely fit cleanly into acute/chronic categories and invite costly causation discovery.

BOTTOM LINE *Some insurers have risk on the books that was never intended to be covered.*

Cannabinoid Hyperemesis Syndrome (CHS)

Aurora Cannabis class action

Certified by the Ontario Superior Court, May 14, 2025

- Class: Canadian purchasers Feb. 2015–May 2025 diagnosed with CHS
- ~35,000 sufferers / ~5,250 class members (class counsel est.)
- Seeks public health insurers' subrogated costs
- Cessation remains the only proven cure

350K–2.75M
Estimated U.S. sufferers

\$95,023
Median charge per CHS
ED visit or admission

ON THE STREET (RUTT)

Same exclusion story as cardiovascular: “any disease of the human body” sharpened, not new. Repeated-use injury drives trigger, retro date, aggregation and continuous/progressive-injury wording.

Palomar v. Cresco: The Coverage Fight Begins

ON PAPER — the DJ action

- Filed Aug. 14, 2026 (N.D. Ill.) — no ruling yet
- DJ of no duty to defend or indemnify; separate CGL and PL policies
- \$5M per-claim limit against a multimillion-dollar demand
- Underlying: Blackletter and Murray
- Arguments: economic loss not “because of” bodily injury; marketing not an enumerated Premises and Operations offense; expected/intended, punitive, RICO and knowing-violation exclusions

ON THE STREET — carrier & insured behavior

- Exclusions are sharpening ahead of any ruling
- Health-hazard, class-action, statutory-penalty and racketeering exclusions still insulate most carriers
- Tenders under CGL, PCO and D&O will be contested hard
- Map allegations to language; notice every potentially responsive policy
- Loss of defense turns legal spend into an operating cost

BOTTOM LINE *The first coverage ruling will likely set the tone for future similar cannabis tenders.*

What Underwriters Should Be Asking

CARROT

Pricing credit for updated warning labels.

STICK

No access to the “best” policy form without updated labels.

BOTTOM LINE *Form and pricing tiering is now a lever on labeling behavior — not just a disclosure question.*

Underwriter checklist

Marketing practices reviewed like testing and labeling

Unsupported health claims treated as a distinct risk class

Warnings on the principal display panel, not a website FAQ

Adverse-event tracking and documented warning development

AUDIENCE POLL 3

Which emerging claim will drive the most cannabis liability loss cost over the next five years?

1. Psychosis / mental health
2. Cardiovascular
3. Cannabinoid hyperemesis syndrome (CHS)
4. Consumer-fraud & RICO economic-loss claims

Launch via WebEx polling

04

How Insurers Should Prepare

A regulator's checklist for the next 12–18 months

Preparation Checklist by Stakeholder

UNDERWRITERS & CARRIERS

- Review cannabis-specific policy language
- Focus on warnings, testing, quality systems
- Verify DEA registration status
- Update forms before Nov. 12 / Dec. 11

MGUs & BROKERS

- Educate clients on transitional risk
- Monitor the DEA proceeding
- Distinguish medical from adult-use
- Review adequacy of existing placements

INSUREDS & RISK MANAGERS

- Audit marketing claims
- Prominent, evidence-based warnings
- Track the health science
- Document warning development

REGULATORS

- May anticipate hemp-related form filings
- Watch coverage narrowing via exclusions and retentions, not rate — the real “softening” story
- Watch silent non-renewals via Violation-of-Law language
- Address the E&S data gap

Five Questions to Watch

- 1 DEA broader rescheduling — what happens after the stay?
- 2 Hemp ban — on Dec. 11: ban, delay, or regulate?
- 3 Murray and the psychosis litigation — will classes be certified?
- 4 Palomar — will it set the precedent for coverage obligations?
- 5 FDA enforcement posture under Schedule III

On the Street

Watch exclusions and retentions — not rate.

Questions & Discussion

MODERATOR · BRAD RUTT

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- Claims Journal / Wilson Elser (Apr. 28, 2026);
- CRC Group

Market data throughout: HUB International (Brad Rutt), Oct. 2026. All market observations are anonymized.



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